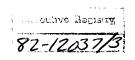


OFFICE OF THE SECRETARY OF THE TREASURY WASHINGTON, D.C. 20220 October 19, 1982



NSC review completed - and takes no action on document

UNCLASSIFIED (WITH SECRET ATTACHMENT)

MEMORANDUM FOR THE VICE PRESIDENT

THE SECRETARY OF STATE
THE SECRETARY OF DEFENSE
THE SECRETARY OF AGRICULTURE
THE SECRETARY OF COMMERCE

THE SECRETARY OF ENERGY

THE DIRECTOR, OFFICE OF MANAGEMENT

AND BUDGET

CHAIRMAN, COUNCIL OF ECONOMIC ADVISORS

ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS ASSISTANT TO THE PRESIDENT FOR

POLICY DEVELOPMENT

UNITED STATES TRADE REPRESENTATIVE DIRECTOR OF CENTRAL INTELLIGENCE

SUBJECT

Senior Interdepartmental Group on International Economic Policy (SIG-IEP)

Attached please find the minutes from the SIG-IEP meeting held October 15.

David E. Pickford Executive Secretar

Attachment

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SENIOR INTERDEPARTMENTAL GROUP -- INTERNATIONAL ECONOMIC POLICY

October 15, 1982 3:00 p.m. Roosevelt Room

NSC review completed - may be declassified in full

Attendees:

Treasury

Secretary Regan (Chairman)

Marc Leland

Dennis O'Brien

Energy

Office of the Vice President

Donald Gregg

David Stockman

Fred Khedouri

Henry Thomas

State

Allen Wallis

Richard McCormack

Defense

Secretary Weinberger

Fred Ikle

Agriculture

Richard Lyng

Commerce

William Morris

CEA

OMB

Martin Feldstein

OPD

Edwin Harper

Roger Porter

CIA

NSC

Henry Nau

Richard Levine

William Martin

USTR Ambassador William E. Brock

Norman Bailey (Executive Secretary)

The Chairman opened the meeting with a discussion of swapping U.S. grain for oil for the strategic petroleum reserve (SPR), a proposal the President had asked the SIG-IEP to review last August. The United States Government holds approximately \$900 million worth of grain which it could offer to barter for oil for the SPR. The group concluded that while technically feasible, such barters are unlikely to be economically advantageous to the United States because: (1) DOE's current acquisition plans and existing contracts leave little room for additional purchases in FY 73; (2) additional exports by Nigeria and/or Indonesia in the form of barter would reduce pressure on them to cut their prices; and (3) U.S. legislative requirements strictly limit the possibility of such trades. It was also noted that Indonesian oil is not of suitable quality for the SPR, although it might be attractive to private buyers. The possibility always exists of private sector counter-trade agreements involving the export of U.S. grain in exchange for commodities which private firms expect to sell at a profit. The Chairman said that the consensus of the

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group was that the Government should not pursue barter arrangements as it is not apparent that barter arrangements would offer advantages that are not offered by conventional market operations.

The next agenda item was agricultural trade. Large crops, low farm income and subsidized EC exports have led to political pressure in the United States for U.S. export subsidies. SIG-IEP heard Deputy Secretary Lyng and approved the recommended short term strategy presented which is to use \$100 million of the \$175 million authorized by the Omnibus Reconciliation Act of 1982 to promote exports. The remaining \$75 million will be set aside as a reserve. In addition, the Chairman concluded that we need a long term strategy. It was agreed that USDA, together with STR, would prepare a paper setting forth the long term strategy. This paper would be ready for IG review in the next four weeks and by the SIG-IEP after the GATT Ministerial. the meantime, it was agreed that until a long term strategy is worked out no further new actions, such as further draw down of funds provided for in the Omnibus Reconciliation Act of 1982 or disposal at below cost of U.S. dairy stocks, would be taken.

EXECUTIVE SECRETARIAT Routing Slip INITIAL DATE INFO **ACTION** TO: DCI 2 DDCI **EXDIR** D/ICS DDI DDA DDO DDS&T Chm/NIC GC 10 11 IG 12 Compt 13 D/EE0 14 D/Pers 15 D/0EA 16 C/PAD/OEA 17 SA/IA 18 AO/DCI 19 C/IPD/OIS 20 WID/ECON 21 22 **SUSPENSE** Remarks: Executive Secretary 10/20/8 NSC review completed - unredacted segments may be declassified

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